



International Agricultural Trade Report

Dairy, Livestock, & Poultry Trade

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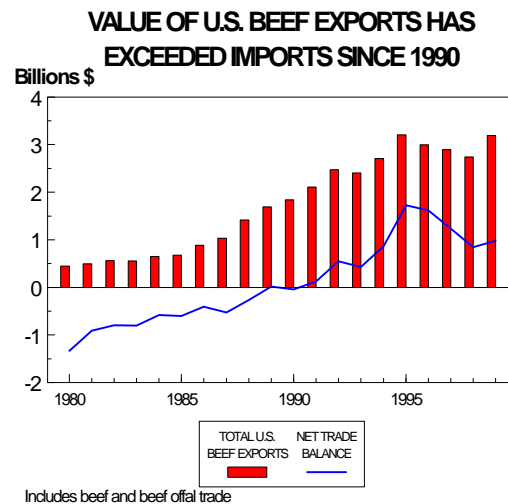
Bullish on U.S. Beef Exports

Overview

U.S. beef exports represent one of the true success stories in U.S. agricultural trade. For as far back as our statistics go, the United States has been the largest beef importer in the world. It was not until 1981 that the U.S. first exported even one-tenth the amount of beef that it imported. However, in the decade of the 1990's, U.S. beef exports really took off. Today export sales account for more than 9 percent of U.S. beef production and constitute an integral part of the profits and income of U.S. ranchers and cattlemen. Moreover, the United States now exports, on a volume basis, 80 plus percent of what we import; and the U.S. trade surplus (exports minus imports) in beef exceeds \$1.0 billion annually.

Three Keys to Success

- 1) The U.S. beef industry's commitment to exports and servicing its overseas customers.
- 2) The successful public-private partnership between USDA's export programs and the beef industry, most notably the U.S. Meat Export Federation.
- 3) The ability to open new markets through trade negotiations and diligent enforcement of these agreements.



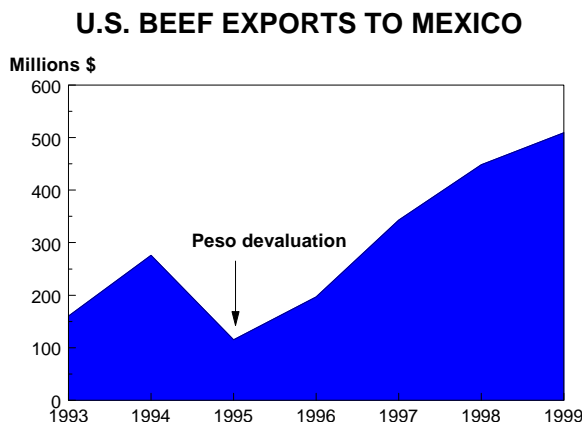
U.S. Beef Industry's Commitment to Exports

Not so long ago, American companies were criticized for viewing foreign markets as outlets for surplus disposal. While perhaps once true, that cannot be said of the U.S. beef industry today. The industry, from producer to processor, is a sophisticated player in the global market place, a leader in processing innovation and product development, and committed to both quality products and quality service.

When the Mexican peso collapsed in 1994 and U.S. beef sales plummeted 60 percent, the U.S. beef industry took a long-run view and worked creatively with its customers to maintain business relationships until Mexico's economic fortunes improved. Mexico's economy improved quickly, and in 2 years U.S. beef exports were back on track and once again experiencing record sales to this market. By maintaining a visible market presence and not losing sight of their customers' changed needs, the U.S. beef industry was able to engender goodwill and product loyalty. The dividends continue to pay off handsomely. Today, Mexico is the second largest market after Japan for U.S. beef, with sales valued at over \$500 million last year.

Public-Private Partnership

Central to the beef industry's ability to exploit market opportunities when they arise or to weather the downside of foreign market developments is the close cooperative relationship that exists between the industry and USDA. This relationship with the beef industry's export arm, the U.S. Meat Export Federation (USMEF), dates back to 1973. USMEF is a recipient of both Foreign Market Development funds and Market Access Program funds, both administered by the Foreign Agricultural Service (FAS). These funds, together with significant funding from industry, help develop overseas markets for U.S. beef. FAS and USMEF have worked hand-in-hand for over 27 years to increase U.S. beef exports, with FAS taking the lead in negotiating improved market access and USMEF, using FAS market development funds, spearheading the promotional efforts to take advantage of market liberalization as it occurred.



The partnership has been an extremely successful collaboration. Membership in USMEF includes a wide range of individuals, firms, and associations that represent all facets of the beef industry. The organization has a worldwide presence with 13 foreign offices, most recently opening an office in Moscow. USMEF's marketing program is effective because it creates demand in foreign markets by working with and expanding the customer base for U.S. beef.

The general strategy USMEF uses to penetrate markets progresses along a market development continuum beginning with product introduction, education, trial purchases, repeat purchases, and, finally, diversified purchases of meat products. The association provides a wide range of services such as trade, retail, and consumer activities that builds relationships with importers and distributors. A key element of their program is sound strategic planning, that provides them with marketing analysis and performance tracking to adjust their programs in individual markets in response to changing market conditions.

A clear example of the successful partnership between USMEF and USDA is what has happened in Japan, where the largest U.S. beef export market has grown from \$200 million to \$1.7 billion during the last 20 years. The combined government-industry efforts in opening that market and taking advantage of the access with effective promotion have made U.S. beef producers the

number one supplier to the world's largest foreign import market. More recent concrete examples of successful USDA/USMEF marketing initiatives include introducing the very successful American Beef Club in Poland, making headway in introducing additional beef cuts into China, and opening meat training schools in Singapore and Korea for butchers and chefs throughout Asia.

Partnership with the industry to promote U.S. beef exports extends beyond market promotion funding to include the myriad of export programs operated by USDA, such as credit guarantee programs, food assistance under P.L. 480 and Section 416, Food for Progress, and the Emerging Markets Program. It was under Title 1 of P.L. 480 that USDA programmed 46,000 tons of U.S. beef (valued at \$87 million) to Russia in FY 1999. Export credit guarantees under the GSM program were absolutely critical to maintaining market share in important beef markets such as Korea during the stormy days of the Asian financial crisis.

Opening the Door to Market Access and Keeping it Open

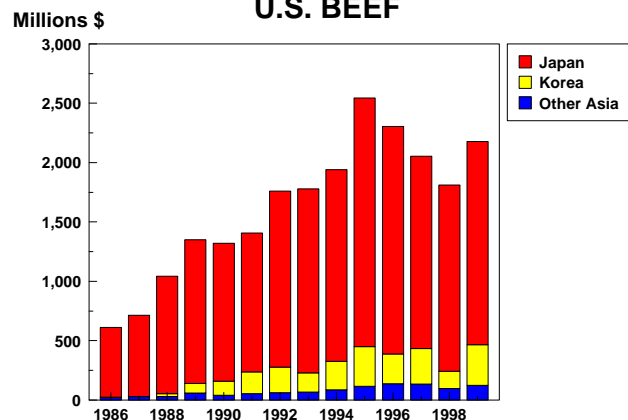
USDA's partnership with industry is predicated upon each doing what it does best.

In government, this means identifying new and emerging export opportunities, opening the door to new markets, and keeping the door open so that U.S. exporters can walk through to the customer.

To open overseas market opportunities requires hard work not just at the negotiating table but also in the implementation phase, often outside the limelight. In this difficult task, USDA is reliant on its global network of agricultural counselors and attaches stationed in key markets around the world, who serve as the Department's eyes and ears. This global network produces critical market intelligence that forms the underlying structure to USDA programs and trade policy positions. The information and analysis allows us to exploit new markets, monitor trade flows, and identify competitor threats.

For example, it was the work of the Office of Agricultural Affairs in Seoul, Korea, that enabled USDA to identify early on Korea's failure to live up to its commitments under the U.S.-Korea beef agreement. This early warning allowed us to be proactive in dealings with the Koreans and ensure that when Korea fully liberalizes its beef market at the end of the year it will do so in the most trade enhancing way possible.

ASIA: THE GROWTH ENGINE FOR U.S. BEEF



Conclusion

It is the goal of USDA to make U.S. beef a center cut on the plates of consumers around the globe. While new horizons exist in China, Vietnam, Eastern Europe, and elsewhere, exploiting these opportunities will require the continued collaboration between USDA and its industry partners.